

Medigap and cost-sharing: Before and after the Medicare Modernization Act

ISSUE: How might Medigap reforms contribute to more effective market competition and more efficient use of Medicare services?

KEY POINTS:

In November, 2003, the MMA introduced substantive changes in benefits and cost sharing for prescription drugs, along with other changes in the structure of Medicare cost sharing and in the types of health plan options that will be available to beneficiaries in 2006. The law instructed the National Association of Insurance Commissioners (NAIC) to revise the model regulations states use to regulate private supplemental insurance to incorporate the specific changes in the types of Medigap coverage that can be marketed, which NAIC has done. More significantly, the Congress called on NAIC to consider “***much broader changes to the Medigap market that will effectuate reduced premiums and more rational coverage policies that create incentives for appropriate utilization of services*** (Conference Report on the MMA, 2003).” NAIC will be considering these broader issues over the next year. This charge to NAIC provides an opportunity to address important issues related to Medicare benefit design and beneficiary cost sharing.

This briefing paper presents background information on Medigap insurance, drawing on previous MedPAC reports as well as some updated data and information on developments since 2003. In the final section, the paper identifies some research and policy issues the Commission might want to investigate further.

ACTION: As the NAIC works through these complex issues, we would like the Commission’s guidance on how MedPAC’s work should contribute to the policy discussion.

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